

Draft Only
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SUMMARY *of* PROCEEDINGS



JOINT APPROPRIATIONS COMMITTEE

COMMITTEE MEETING INFORMATION

October 27, 2017
Oil and Gas Conservation Commission
Casper, Wyoming

COMMITTEE MEMBERS PRESENT

Senator Bruce Burns, Co-Chairman
Representative Bob Nicholas, Co-Chairman
Senator Dan Dockstader
Senator Ogden Driskill
Senator Bill Landen
Representative Donald Burkhart, Jr.
Representative Lloyd Larsen
Representative Andy Schwartz
Representative Albert Sommers
Representative Tom Walters
Representative Sue Wilson

COMMITTEE MEMBERS NOT PRESENT

Senator John Hastert

OTHER LEGISLATORS PRESENT

Senate President Eli Bebout
Speaker of the House Steve Harshman
Senator Drew Perkins
Representative Chuck Gray
Representative Pete Obermueller

LEGISLATIVE SERVICE OFFICE STAFF

Don Richards, Budget & Fiscal Administrator
Dawn Williams, Senior Fiscal Analyst
Tamara Rivale, Staff Attorney

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OTHERS PRESENT AT MEETING

Please refer to [Appendix1-A](#) to review the Committee Sign-in Sheets for a list of other individuals who attended the meeting.

EXECUTIVE SUMMARY

The Joint Appropriations Committee (JAC) met for one day in Casper to consider the October 2017 Consensus Revenue Estimating Group report, address water and state land funding trends, consider two bills for sponsorship in the upcoming legislative Budget Session, and to hear from the Department of Corrections regarding implementation of a new compensation plan and receive updates on work being performed at the Wyoming State Penitentiary (WSP). In addition, the Committee received a presentation from the Wyoming Retirement System and its actuaries regarding policy options, possible increased contributions and observance of a decision-making module.

CALL TO ORDER

Co-Chairman Burns called the meeting to order at 8:03 a.m. The following sections summarize the committee proceedings by topic. Please refer to [Appendix1-B](#) to review the committee meeting agenda.

APPROVAL OF MINUTES

Minutes from the July 17-18, 2017 Committee meeting were approved. ([Appendix 2](#))

REVENUE UPDATE – OCTOBER 2017 CREG

Don Richards, LSO Budget and Fiscal Administrator, provided an overview of the Consensus Revenue Estimating Group (CREG) report released October 24, 2017. ([Appendix3-A](#)) Mr. Richards noted that actual revenues deposited into the General Fund, Budget Reserve Account, and One Percent Severance Tax Account for fiscal year (FY) 2017 exceeded the January 2017 forecast by \$244 million, of which \$140 million is exclusively attributable to realized capital gains from the Permanent Wyoming Mineral Trust Fund, which were anticipated but not projected. Additionally, FY 2017 revenues for K-12 education accounts exceeded projections by \$75 million, though after accounting for revenue profiled from legislative changes, the 2017-2018 biennial difference between March and October amounted to \$62.9 million. Next, Mr. Richards discussed the new projections by highlighting the major changes to the LSO Fiscal Profile, dated October 24, 2017. ([Appendix3-B](#))

Mr. Richards noted that in future years, the CREG forecast included modest revenue increases across multiple revenue streams, with the largest stemming from increased oil production. He concluded his presentation with a long-term forecast based upon October CREG estimates, current law, and placeholders for potential exception budget requests. ([Appendix3-C](#))

WATER AND STATE LANDS FUNDING TRENDS (*INTERIM TOPIC #5*)

Tamara Rivale, LSO Staff Attorney, introduced background materials she prepared and assembled pursuant to JAC interim topic #5, which directed the Committee, in part, to review revenues, non-project appropriations, expenditures and non-project programs benefiting from Water Development Account funding, including but not limited to, Office of State Lands and Investments, State Engineer and the Water Development Commission. ([Appendix4-A](#)) Ms. Rivale led the Committee through the document, including a summary of water development account revenues and expenditures, a list of non-project appropriations from Water Account I, and anticipated future revenues and project funding.

Ms. Rivale then referred the Committee to a memo prepared by LSO Research staff to address the second part of JAC interim topic #5, which directed the Committee to conduct a similar review regarding overall

revenues, appropriations and expenditures for permanent land funds, administration costs and sources of funding. ([Appendix4-B](#))

Pat Tyrell, State Engineer addressed the Committee to explain that the Board of Control Division in the State Engineer's Office represents approximately half of the agency and includes field staff now fully funded with water money. The remainder of the agency is funded with general funds.

Harry LaBonde, Director, and Andie O'Dell, Finance Officer at the Wyoming Water Development Commission discussed appropriations made from Water Development Account I during the 2017 Legislative session and the impacts reduced funding has on future water development projects. Director LaBonde reviewed the Water Development Office administrative budget and the use, priorities, and allocations of the three water development accounts. Mr. LaBonde noted that given the recent appropriations to non-water development projects, about half of the available revenue in future years in Water Development Account I would be available for projects.

Bridget Hill, Director of the Office of State Lands and Investments, Susan Child, Deputy Director and Amanda Sewell, Assistant Director for Financial Services, explained the federal drinking water revolving loan program. The grant provides 80% federal dollars, so the State provides a 20% state match, 10% of which is from Water Development Account I and 10% is from the general fund. Ms. Hill referred to Appendix 4B noting that \$25,898,131 of the Office of State Lands and Investments budget is estimated to be expended on trust land management. Ms. Hill also discussed the revenue of the permanent land trust funds and the permanent land income trust funds. The Committee requested the agency provide follow-up information:

- 1) A report of revenue from wind energy leases, including revenue per tower;
- 2) Acreage available for wind development (capacity);
- 3) The number of towers currently placed on state lands and how many are anticipated in the next ten years; and
- 4) The status of current wind tower work being performed, the benefits of phased work, and the number of wind towers in each phase.

CONSIDERATION OF LEGISLATION

18LSO-0115, Game and fish department-budget requests

Tamara Rivale, LSO Staff Attorney, presented working draft bill 18LSO-0115.7, Game and fish department – budget requests and explained the purposes of the bill are to (1) adopt conforming legislation as a result of the reduction of general funds appropriated to the department during the 2017 Legislative session and (2) require legislative authorization and implementation of the sensitive and nongame and grizzly bear management programs. ([Appendix5](#)) The Committee directed staff to repeal W.S. 23-1-502(d), thereby removing the budget authorization provisions by the Legislature. The revised bill will be considered for sponsorship by the Committee in December.

18LSO-0251, Severance tax distributions

Ms. Rivale presented working draft bill 18LSO-0251.6, Severance tax distributions, which provides that a portion of the annual statutory severance tax collections be deposited to the general fund and modifies the 2016 Budget Bill to specify that the interfund loan from the one percent severance tax account becomes a transfer. In addition, the bill sweeps any balance in the one percent severance tax account to the general fund. ([Appendix6](#)) The Committee moved to table the bill for further discussion in December and the motion passed.

DEPARTMENT OF CORRECTIONS, SALARY PROGRAM

Bob Lampert, Director of the Department of Corrections, Steve Lindly, Deputy Director and Dan Shannon, Prison Division Administrator, informed the Committee about the department's intentions to implement correctional officer pay increases and its plans to fund them. ([Appendix7-A](#)) Director Lampert offered a comparison of correctional officer salaries in the states surrounding Wyoming. ([Appendix7-B](#)) The department will use existing appropriations in the 2017-2018 biennium to achieve the pay adjustments but will require additional funding for the 2019-2020 biennium to continue the salary program for additional qualified personnel, which it will request in its budget submission in the 2018 Budget Session. The Committee requested more information from the agency:

- 1) Regarding placement of inmates out-of-state
 - Provide the cost per inmate per day to provide the same level of care, including treatment and education;
 - Identify the population classification and number of inmates to potentially house out-of-state; and
 - Determine likely cost savings.
- 2) Provide a list of correctional officer salaries at all phases of plan implementation by facility and position.

UPDATE ON WYOMING STATE PENITENTIARY

Director Lampert relayed a history of efforts to identify and make repairs to the Wyoming State Penitentiary (WSP) since 2011. ([Appendix8](#)) Del McOmie, State Construction Department Director, updated the Committee about work that has been done at WSP since the July JAC meeting in Rawlins. With the assistance of David Webb, WSP project manager, he indicated there is additional damage to the facility not caused by soil movement, rather by leaking pipes, and outlined planned remediation measures. Mr. McOmie updated the Committee on the status of each of the ten recommendations made by Wiss Janney and Elstner in its Penal Facility Peer Review Study submitted in July. The Director introduced Todd Wilder, WSP On-Site Project Manager, who was hired pursuant to the recommendations of the Joint Appropriations Committee.

EMPLOYEE BENEFITS: WYOMING RETIREMENT SYSTEM EXPERIENCE STUDY, POLICY OPTIONS, INVESTMENT STRUCTURE DISCUSSION

Eric Nelson, Wyoming Retirement System (WRS) Board Vice-Chairman and David Swindell, WRS Deputy Director, reported on recent changes to benefits and contribution rates, as well as changes in actuarial assumed rate of return adopted by the WRS Board and the resulting implications to the plan. ([Appendix9-A](#)) Mr. Nelson indicated the WRS Board has not formally voted to recommend a contribution rate increase. The recommendation in the materials is for the Legislature to consider implementing a modest contribution increase during the legislative session. Mr. Swindell explained the recommendation is in response to legislative feedback that action should be taken this Budget Session to address funding; it is premature for the board to recommend an increase. In concert with GRS Retirement Consulting (the State's actuary), WRS and its Board would like to wait until January 1, 2018 to conduct a rate study to ensure the early retirement windows offered by various employers are closed. GRS' Leslie Thompson reviewed the theories and methodologies supporting the assumptions used in order to determine plan health. Ms. Thompson further engaged the Committee with an interactive software demonstration used to emphasize the timing of contributions, market volatility and assumed rate of return on investments and their impact to the balance of plan assets.

The Committee requested from WRS the percentage of active, covered employees within the system who make no employee contribution on their own behalf.

Sam Masoudi, WRS Chief Investment Officer, responded to investment program inquiries made by the Committee, including in-house investment teams versus employment of asset managers, merging the WRS and State Treasurer's Office investments teams, and investment professional compensation. ([Appendix9-B](#))

PUBLIC COMMENT

There was no public comment.

COMMITTEE DIRECTIVES

There were no committee directives.

ANNOUNCEMENTS

Agency budget hearings are scheduled for December 4-8 and 11-15 and January 8-12 in Cheyenne. The Committee will consider Governor's letters and mark-up the budget during the week of January 15, 2018.

MEETING ADJOURNMENT

There being no further business, Co-Chair Nicholas adjourned the meeting at 4:17 p.m.

Respectfully submitted,

Senator Bruce Burns, Co-Chair

Committee Meeting Materials Index

Appendix	Appendix Topic	Appendix Description	Appendix Provider
1-A	Committee Sign-In Sheet	Lists meeting attendees	Legislative Service Office
1-B	Committee Meeting Agenda	Provides an outline of the topics the Committee planned to address at the meeting	Legislative Service Office
2	Call to order	July 17-18, 2017 meeting minutes	Legislative Service Office
3-A	October 2017 CREG Report	October 2017 CREG Report	Legislative Service Office
3-B	October 2017 CREG Report	LSO Fiscal Profile	Legislative Service Office
3-C	October 2017 CREG Report	LSO Long Term Profile	Legislative Service Office
4-A	Water and State Lands Funding Trends	LSO background memo: Interim Priority #5a, Water Funding Trends	Legislative Service Office
4-B	Water and State Lands Funding Trends	LSO background memo: Interim Priority #5b, State Lands Funding Trends	Legislative Service Office
5	Consideration of Legislation	18LSO-0115, Game and fish department-budget requests	Legislative Service Office
6	Consideration of Legislation	18LSO-0251 WD 0.6, Severance tax distributions.	Legislative Service Office
7-A	Department of Corrections – Salary Program	Correctional Officer Pay Adjustment Handout	Department of Corrections (DOC)
7-B	Department of Corrections – Salary Program	Corrections Reported Ranges from Salary. com	Department of Corrections (DOC)

8	Update on Wyoming State Penitentiary	Wyoming State Penitentiary Handout	Department of Corrections (DOC)
9-A	Employee Benefits: WY Retirement System Experience Study, Etc.	Wyoming Retirement System Report	Wyoming Retirement System
9-B	Employee Benefits: WY Retirement System Experience Study, Etc.	Response to JAC Investment Program Inquiries	Wyoming Retirement System

Provided to the Committee as Background but were not Addressed

i	Wyoming State Penitentiary – Facility/Operations Issues	B-Unit Window Replacement Project Photographs	Department of Corrections (DOC)
ii	Wyoming State Penitentiary – Facility/Operations Issues	F-Electrical Relocation Project Photographs	Department of Corrections (DOC)
iii	Wyoming State Penitentiary – Facility/Operations Issues	K-Unit and CPF Water Mitigation Project Photographs	Department of Corrections (DOC)
iv	Wyoming State Penitentiary – Facility/Operations Issues	South Facility Gymnasium Gym Wall, Corner & Door Project Photographs	Department of Corrections (DOC)